

Message Text

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ACTION EUR-12

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SUBJ: REACTIVATION OF GREEK CONSORTIUM

REF: (A) STATE 115876; (B) OECD PARIS 12568

1. OUR INITIAL REACTION IS THAT REACTIVATION OF AN INTERNATIONAL GROUP FOR GREECE UNDER OECD AUSPICES WOULD HAVE A SIGNIFICANT IMPACT HERE AS AN EXPRESSION OF WESTERN SUPPORT FOR THE CARAMANLIS GOVERNMENT. WE BELIEVE THAT A LOOSER, "NEW STYLE" COORDINATING CLUB OF INTERESTED COUNTRIES AND INTERNATIONAL INSTITUTIONS WOULD BE MORE APPROPRIATE THAN THE TRADITIONAL, STRUCTURED AID CONSORTIUM. WE ALSO BELIEVE THAT SUCH A CLUB SHOULD BE ORIENTED TOWARD LONGER TERM STRUCTURAL REFORMS IN THE GREEK ECONOMY, DESIGNED TO INCREASE ITS ECONOMIC STABILITY AND INTEGRATION WITH WEST EUROPEAN/ATLANTIC ECONOMIES -- RATHER THAN PURELY AS AN EMERGENCY "BAIL-OUT" OPERATION FOR SHORT-TERM BALANCE OF PAYMENTS DIFFICULTIES.

2. WE SEE THE MAIN BENEFITS OF SUCH A CLUB AS FOLLOWS:

(A) OPPORTUNITY FOR EXTERNAL ASSISTANCE -- CAPITAL, TECHNOLOGY, TRANSFER, TRAINING -- TO FOCUS MORE THAN IN THE PAST ON OVERCOMING SERIOUS STRUCTURAL WEAKNESSES IN

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GREECE'S INDUSTRIAL AND AGRICULTURAL SECTORS, THROUGH

INTERNATIONAL EXAMINATION OF GREEK POLICIES AND PROSPECTS
(WE BELIEVE CURRENT GOVERNMENT WOULD BE RECEPTIVE TO SUCH
EFFORTS);

(B) AS FALL-OUT FROM LONG-TERM OBJECTIVES, CURRENT GREEK
BALANCE OF PAYMENTS DIFFICULTIES COULD ALSO BE ADDRESSED
(E.G., IBRD TAILORED SOME OF ITS PROJECT LOANS THIS YEAR
TO BE ESPECIALLY FAST-DISBURSING, IN ORDER TO MAXIMIZE
NEAR-TERM FOREIGN EXCHANGE IMPACE);

(C) COUNTRIES AND INSTITUTIONS INTERESTED IN GREEK ECONOMY
WOULD HAVE CHANCE TO COORDINATE THEIR PROGRAMS, AVOID
OVERLAP, BE AWARE OF TOTAL EFFORTS BEING MADE -- INCLUDING
GREEK -- BOTH FOR SHORT-TERM BALANCE OF PAYMENTS ADJUSTMENT
AND LONGER RANGE STRUCTURAL REFORM;

(D) FOR GOG, EXISTENCE OF INTERNATIONAL FORUM WOULD SAVE
TIME AND ENERGY IN MAKING SEPARATE DETAILED PRESENTATIONS
IN DIFFERENT CAPITALS, AS AT PRESENT.

3. ILLUSTRATIVE COMPOSITION OF CLUB MIGHT BE OECD
(CHAIRMAN), IBRD, IMF (AS OBSERVER), EC, US, GERMANY, FRANCE,
UK, PERHAPS NETHERLANDS, SWEDEN OR OTHER INTERESTED OECD
MEMBERS.

4. WHILE WE DO NOT SEE NEED FOR US TO TAKE INITIATIVE, WE
BELIEVE USG SHOULD BE SYMPATHETIC IF GREEKS DECIDE TO
PURSUE THIS IDEA FURTHER AT OECD. COORDINATION MINISTRY
UNDER SECRETARY KONTOGEOORGIS TOLD ECONOMIC COUNSELOR MAY 21
THAT HE AND COORDINATION MINISTER PAPALIGOURAS CURRENTLY
PLAN TO ATTEND THE OECD MINISTERIAL NEXT WEEK, AND THAT
THEY WOULD PROBABLY RAISE THE SUBJECT IN INFORMAL CONTACTS
WITH VAN LENNEP AND INDIVIDUAL DELEGATIONS, INCLUDING US,
GERMANY, AND FRANCE. WE HAVE IMPRESSION THAT GOG HAS NOT
YET FULLY THOUGHT THROUGH WHAT IT EXPECTS FROM A REACTIVATION
OF CONSORTIUM, AND WE BELIEVE THAT IF THEIR THINKING
DEVELOPS ALONG THE LINES DESCRIBED IN PARAGRAPH ONE ABOVE,
IT WOULD MERIT US SUPPORT.

5. WE RECOMMEND THAT COPIES OF CABLES IN THIS SERIES
BE REPEATED TO EMBASSIES BONN, LONDON, PARIS, AND USEC
BRUSSELS, WITH VIEW TO POSSIBLE LOW-KEY CONTACTS WITH
THOSE GOVERNMENTS AND EUROPEAN COMMISSION REGARDING THEIR
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IDEAS ON THIS SUBJECT.
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